

ANNUAL REPORT 1971



GREAT WEST STEEL INDUSTRIES LTD.



PRODUCTS AND SERVICES

*Consultants, Designers, Engineers
and Manufacturers*



**GREAT WEST STEEL
INDUSTRIES LTD.**

MANUFACTURING DIVISION

GWS Open Web Steel Joists
(hot rolled chord)
GWS Allspan Joists (cold formed chord)
GWS Nailable Joists
Cold rolled products:
Purlins
Girts
V-Rib Pans
Tubular shapes
Structural Steel
Bridges
Conveyors
Hoppers and Tanks
Platforms, Walkways, Stairs
Miscellaneous Steelwork
Sheet Piling
Steel Warehousing

RESOURCE PROCESS DIVISION

Air Fin Heat Exchangers
Shell and Tube Heat Exchangers
Complete Coal Preparation Plants
Bulk Materials Handling
Systems for Coal,
Steel and Power Plants
Bulk Materials Blending Installations
Post Office Parcel Sorting Systems
Automatic Bulk Materials Sampling
Equipment
Vibratory Conveyors, Screens and
Centrifuges
Analytical Laboratories
Assaying
Coal Wash and Minerals Testing Service

CONSTRUCTION DIVISION

Installation
Crane Service
Crane Rental
Pile Driving
Heavy Construction Equipment Rental
Plant Maintenance Service
Turn-key Projects



HIGHLIGHTS OF OPERATIONS

*In thousands of dollars except as indicated **

	1971	1970
Net Working Capital†	\$ 5,952	\$ 2,118
Net Fixed Assets	\$ 6,677	\$ 2,160
Other Assets	\$ 118	—
Total Net Assets	\$12,747	\$ 4,278
Represented by:		
Funded Debt	\$ 6,084	\$ 947
Deferred Income Taxes	\$ 1,707	\$ 734
Shareholders' Equity	\$ 4,956	\$ 2,597
Fixed Assets of Newly Acquired Subsidiary Companies	\$ 2,855	\$ 407
Capital Expenditures on Fixed Assets	\$ 1,638	\$ 198
Total Capital Expenditures	\$ 4,493	\$ 605
Total Payroll and Benefits	\$ 7,169	\$ 5,161
Number of Employees at Year End*	1,142	593
Dollars of Investment in Plant per Employee*	\$ 7,060	\$ 4,130
Sales	\$22,608	\$15,742
Earnings from Operations before Depreciation, Interest and Income Taxes	\$ 2,286	\$ 1,487
Net Earnings	\$ 791	\$ 566
Net Earnings as a % of Sales	3.5%	3.6%
Net Earnings per Share**	55¢	39¢
Cash Flow per Share**†	\$1.22	62¢

†Including current portion of Deferred Income Taxes.

**Based on 1,446,625 Common Shares outstanding at December 31, 1971.

OUR COVER

(from left to right): GWS open web steel joists form the roof support at the Brentwood Shopping Centre, Vancouver, B.C. • GWS-Birtley U.K. built vibratory equipment is used widely in the handling of large runs of materials from mines, quarries and refuse plants • GWS scientists at the coal wash test facility at Calgary, Alberta provide testing, assaying, analytical and process design services to the Canadian and western U.S.A. mining industry • GWS built heat exchangers are used extensively in gas processing plants, here shown installed at the Imperial Oil Natural Gas Processing Plant at Quirk Creek, Alberta • GWS automated joist production line at our Toronto, Ontario plant • GWS design, engineer, fabricate and install any kind of steelwork, such as this complex box girder fabricated at our New Westminster, B.C. plant.

TO THE SHAREHOLDERS AND EMPLOYEES OF GREAT WEST STEEL INDUSTRIES LTD.

This is the first annual report of your company and its subsidiaries together with the Consolidated Financial Statements for the year ended December 31, 1971, and the Auditors' report.

Total sales increased to \$22,608,000 from \$15,742,000. Earnings from operations increased to \$2,286,000 compared to \$1,487,000. Net earnings increased to \$791,000 from \$566,000. This represents increases of 44%, 54% and 40% respectively over the prior year.

Your company commenced operations in 1965 with a conceptual framework of directing all corporate resources to the development of highly engineered products or services related to the construction and natural resource industries with emphasis on products or services of a proprietary nature.

The company was formed for the purpose of designing, developing, manufacturing and marketing of an open web steel joist, a product for which we had perceived an unfilled demand. The development of a competitive open web steel joist took over two years. In the meantime the company utilized its facilities for the design, engineering and manufacture of structural steel.

With the great success of our joist product and the subsequent addition of heat exchangers, coal science and resource process design and engineering the importance of structural steel in the company's overall objectives has continued to diminish where now classification of the company as a structural steel operation would be misleading.

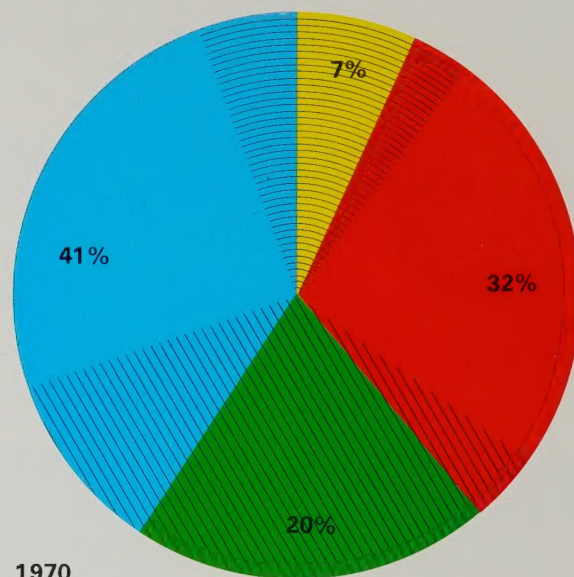
The majority of our contracts are obtained as a direct result of offering complimentary products together with related technical expertise. Engineering and design capability is available to our customers in Vancouver, Edmonton, Calgary, Saskatoon, Winnipeg, Toronto and Montreal thereby providing reliable service to construction contractors, developers, consulting engineers and architects across Canada. Engineering offices in England and Seattle, and an agency in Sydney, Australia allows us to service the United Kingdom, the western United States and Australia. We are therefore now an international company.

Your company is young and aggressive with a sustained growth record diversifying products and expanding markets to provide a broader base without becoming a conglomerate. Therefore we are only expanding into manufacturing and engineering fields that are related to those we are currently serving — fields where we can best utilize our technical, design and manufacturing skills and know-how.

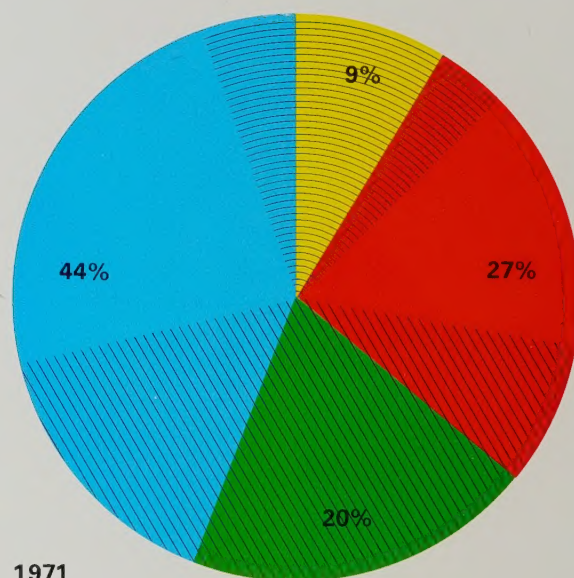
Previously the company was solely a manufacturer. Last year we diversified into coal science, coal engineering, minerals processing and materials handling — services which require a high degree of proprietary technology and expertise. This diversification is reflected in our changing product mix indicated on the accompanying graphs.

Although Canada will undoubtedly remain our largest single market for some years, opportunities exist to expand to regions of political and economic stability, including certain of the emergent nations. With the current base of operations, we are now able to study the economic feasibility of these areas.

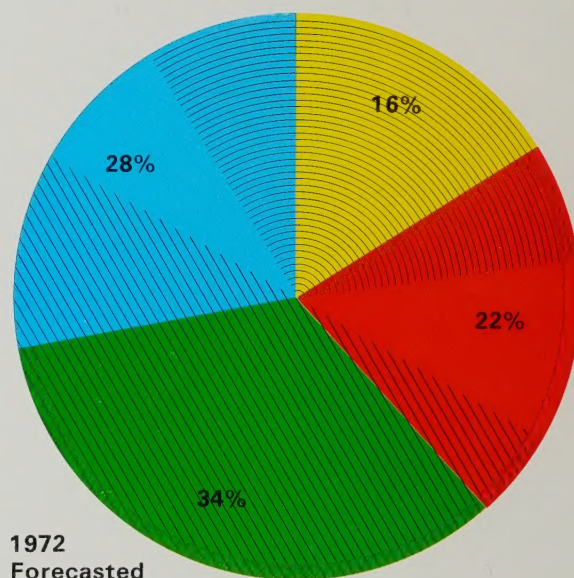
SALES PRODUCT MIX



1970



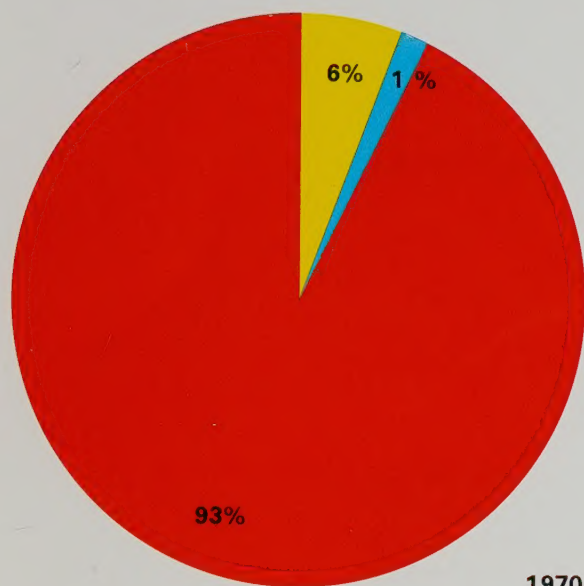
1971



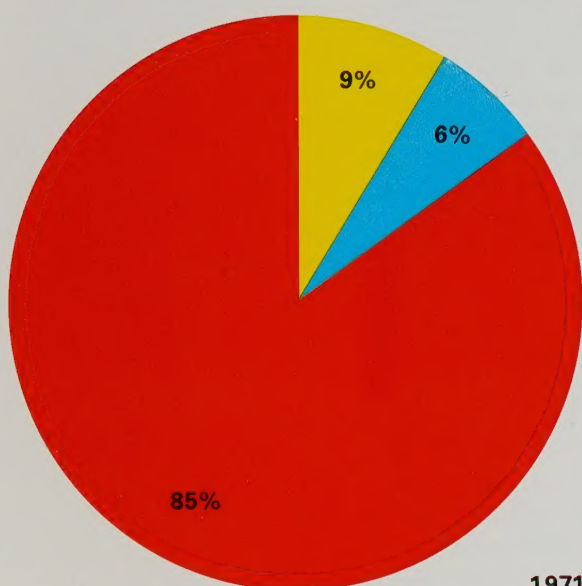
1972
Forecasted



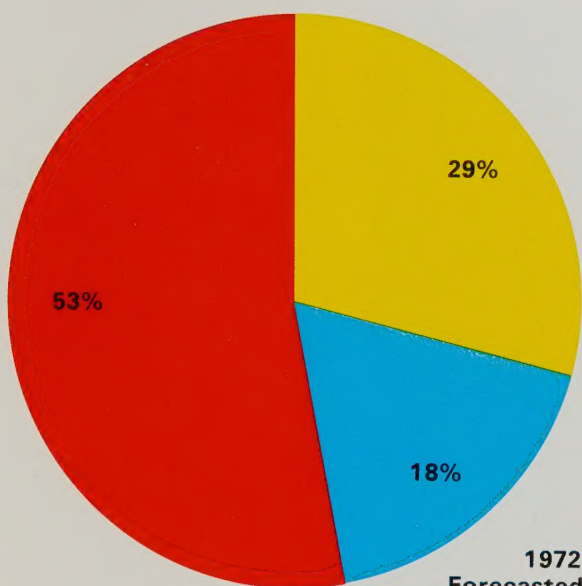
MARKET AREAS



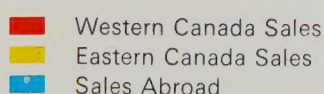
1970



1971



1972
Forecasted



As a result of our philosophy and in keeping within our conceptual framework, we completed three acquisitions last year. Effective January 1, we purchased all of the outstanding shares of Atlas Construction Company Limited, a long established and well known contractor and crane service company, based in Alberta.

Effective August 1, we purchased all of the outstanding shares of Birtley Engineering Limited, Chesterfield, Derbyshire, England from the Birmingham Small Arms Company, Limited, makers of the famous B.S.A. motorcycles. Birtley Engineering Limited is a well known and highly respected firm of consulting engineers in the field of coal and minerals preparation plants, bulk materials testing systems, materials handling systems and own proprietary rights to several lines of well known material separation equipment. Birtley Engineering Limited is based in the United Kingdom, and conducts business throughout the world. It will greatly add strength to our present Coal Science Division. On Canadian projects Birtley has been our partner since 1968. Since then the co-operation between the companies matured to a point where ownership of Birtley by us became desirable. Birtley's current major Canadian contract is the Coal Preparation Plant for Cominco Ltd. at Fording River, East Kootenay, B.C. This contract has now reached the final stage of commissioning. The plant is designed to handle 750 tons per hour or 3 million tons of coal annually. The Canadian Government has forecast annual output of western Canadian Coal could reach 40 million tons by the second half of this decade compared with 16 million tons in 1970. With the acquisition of Birtley we are in an excellent position to participate in this projected growth.

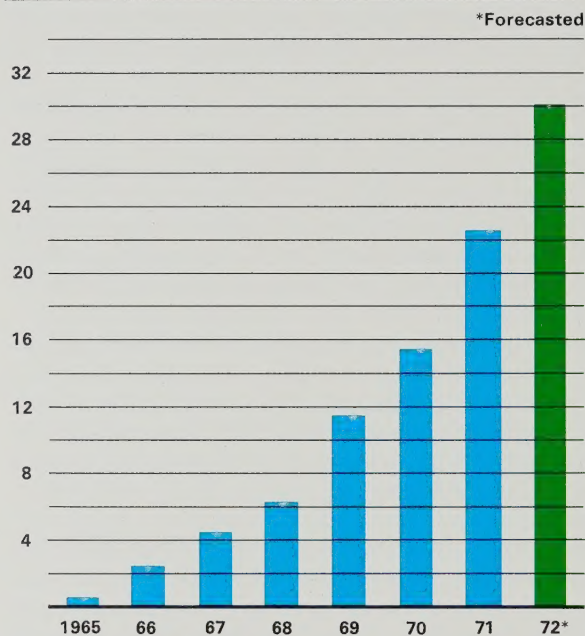
Effective November 1, we purchased as a going concern, the net assets of the joist manufacturing business of Anthes Steel Products Limited, a subsidiary of Molson Industries Limited. Anthes is eastern Canada's dominant joist manufacturer, with two major plants at Toronto and sales engineering offices at Montreal and Winnipeg.

Allowing for a full year effect, the above acquisitions should provide us with a minimum sales growth of 30% for 1972. All the foregoing purchases were made primarily for cash without share dilution.

With the acquisition of Anthes, open web steel joists are now our main manufactured product and account for 34% of our sales volume, an increase from the 20% of the previous period. Open web steel joists are used primarily in shopping centres, schools, warehouses, hospitals, office and apartment buildings, the commercial and institutional segments of the construction industry.

Joist sales historically show a resistance to cyclical fluctuations within the economy at large. This is probably accounted for by the changes in demand within the segments of the construction industry consuming this product. When demand is strong, commercial sales are high while institutional sales tend to be counter cyclical as a result of the availability and cost of credit and related monetary and fiscal policies. It appears that joists are getting a larger share of the construction market at the

SALES VOLUME *(In Millions of Dollars)*



expense of substitute products, such as concrete and wood, since on-site construction costs are rising at a faster rate than in-plant costs and automation is easier to effect in a manufacturing plant than on a construction site. These factors account for the steady growth of the past and we look forward to a continued growing demand.

Another major product with exciting future potential in terms of growth is Heat Exchangers — as they are an integral part of every oil refinery and natural gas processing plant. Along the route of the proposed natural gas pipe line from the MacKenzie Delta region through Alberta exist many untapped gas fields too small to support a line by themselves. Many of these fields will be able to tie into this system requiring the building of gas processing plants. The development will be substantial and therefore future demand for Heat Exchangers is significant. Heat Exchangers are also used to combat water pollution by lowering the heat content of effluent disposed of by industry. With the current emphasis on ecology by all levels of government, the use of Heat Exchangers is certain to broaden and intensify.

Other products supplied and services per-

formed are in the field of coal science, resource process design and engineering. These products and services employ highly qualified scientists and engineers who test, design, engineer and construct plants for the preparing of coal for coking purposes or for thermal power plants. We are also participating in this way in coal gasification studies and its related future. In addition to coal activities, we design, engineer and manufacture or construct complete facilities or individual units of equipment for the vibratory sorting and separation, computer controlled blending, automatic bulk sampling and centrifugal dewatering of minerals and other bulk materials and of closed-circuit television controlled materials handling systems.

Originally the engineering and fabricating of structural steel was our single source of revenue, however, it now represents less than a third of our total sales. A substantial portion of these sales are a direct function of the foregoing products — joists, heat exchangers, coal science and resource process design and engineering.

We are pleased to report that all our manufacturing plants experienced satisfactory labour relations last year and we anticipate further good relations. The results of last year were, as always, made possible by the loyal support and effort of our people at all levels and to them we extend our sincere appreciation.

On behalf of the Board of Directors,

K. G. Heffel,
Chairman and President.

Vancouver, B.C.
March 1, 1972.

MANUFACTURING DIVISION

FACILITIES

The Company's manufacturing division has nine modern plants throughout Canada with the latest equipment and skilled personnel producing quality products.

In addition to sales and engineering offices established in Montreal and Winnipeg, an office was opened in Seattle in 1971. This was done to enable us to improve our services to our customers in the United States, which is a large and growing market.

The Company's steady growth has necessitated a large expansion program in 1971. This includes:

VANCOUVER:

A 66'0" span, 30,000 sq. ft. plant expansion serviced by two 10 ton overhead cranes and a 170'0" span semi-gantry crane with a 340'0" runway, capacity 20 tons to service the inventory and shipping area.

EDMONTON:

A 80'0" span, 38,000 sq. ft. plant serviced by overhead cranes with a lifting capacity in excess of 30 tons.

CALGARY:

A large equipment garage and maintenance shop and office building for Atlas Crane Service.

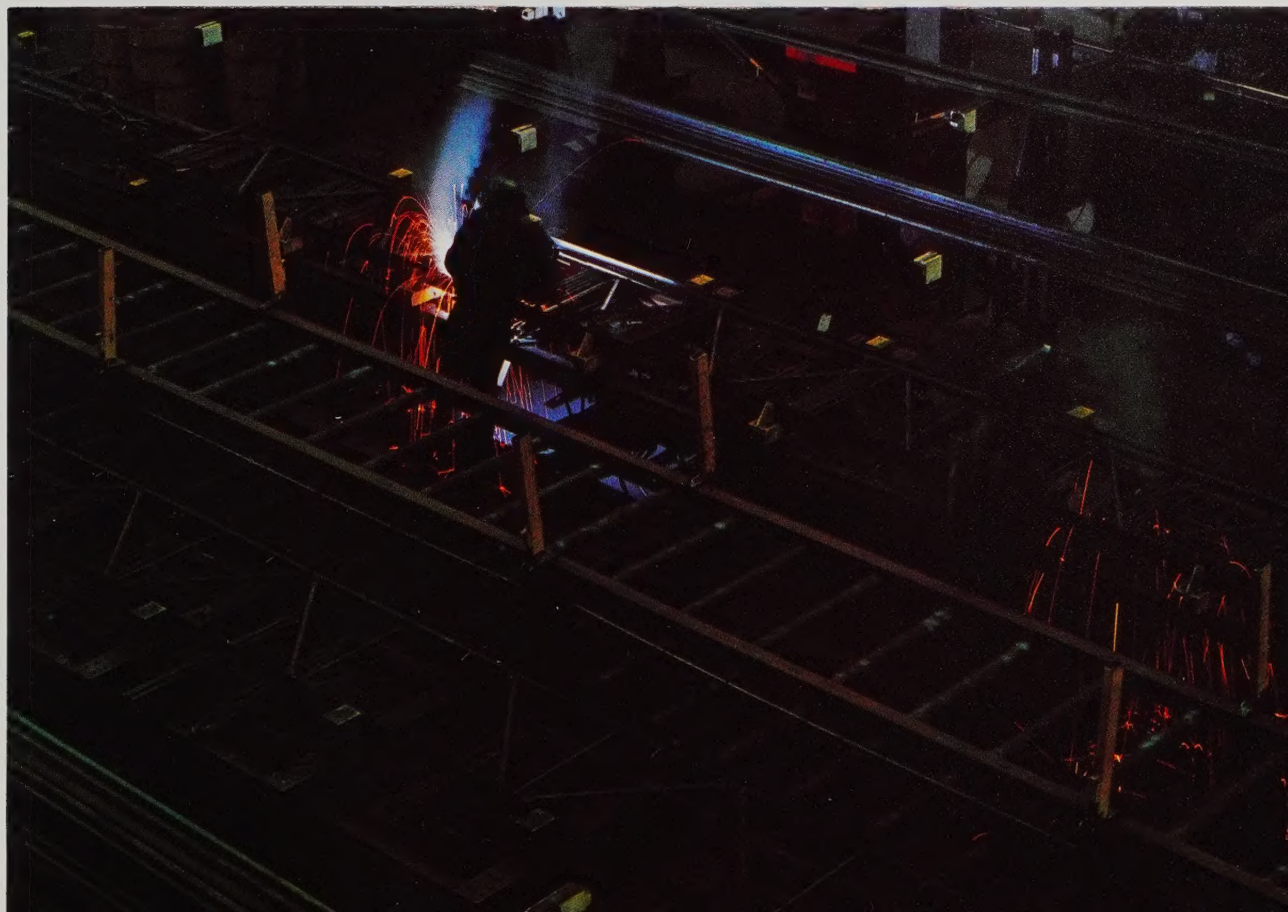
CALGARY:

A commercial scale coal-wash plant, laboratories and offices for the Coal Science and Minerals Testing Division.

The tentative 1972 program calls for the consolidation of the Toronto plants into a modern 80,000 sq. ft. plant facility with a new office building and also a plant expansion in Saskatoon.

JOISTS

One of our major products is open web steel joists manufactured by us in Western Canada since 1965. These are standardized light weight modular components used as supports in floor and roof framing systems.



MANUFACTURING DIVISION *(continued)*

mass-produced in several of our plants on automated and semi-automated production lines.

The company's engineers designed a special hot rolled section for the manufacture of joists which is produced for us by a steel rolling mill.

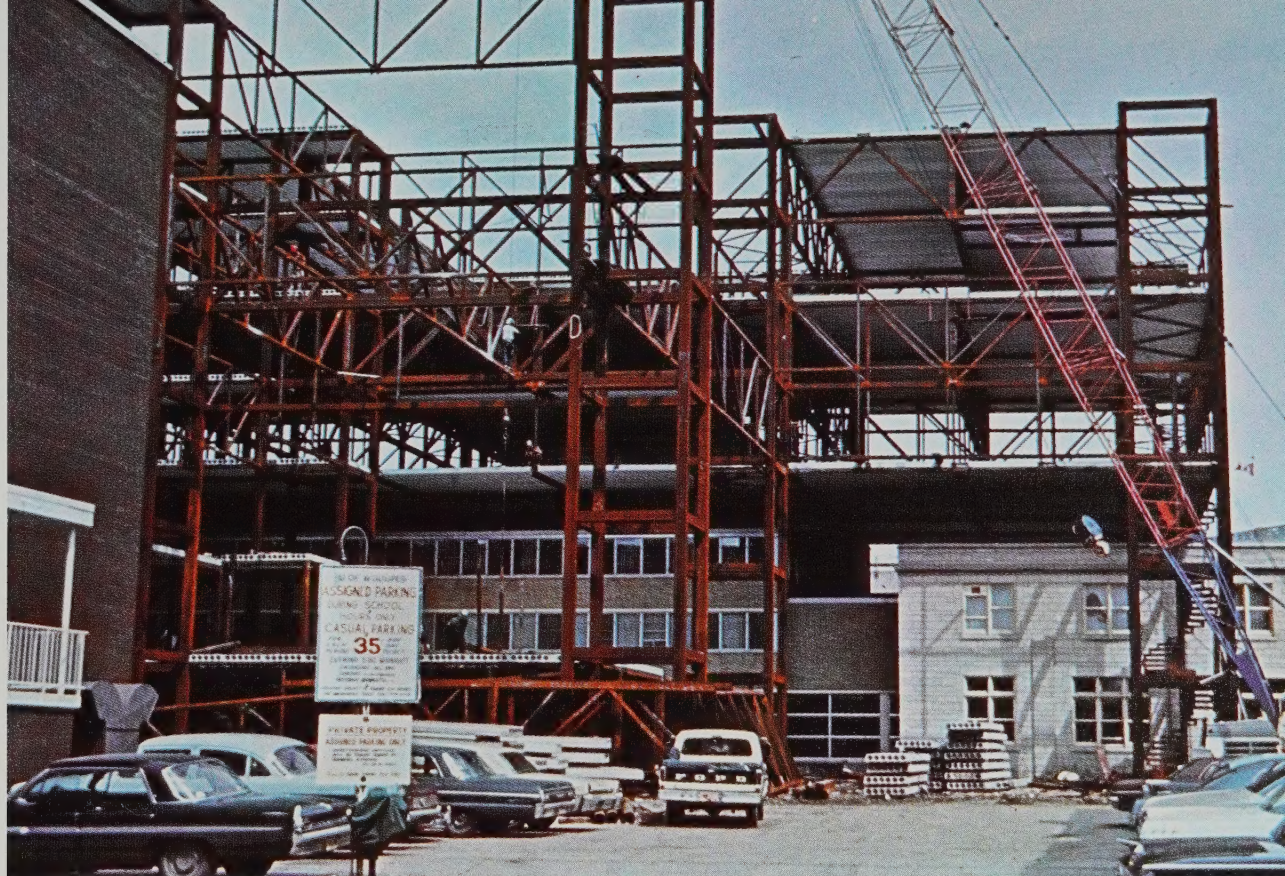
The acquisition last year of Anthes Steel Products Limited in Toronto, enables us to service the joist market throughout Canada, the western United States, Hawaii and Alaska. The joists manufactured in the Toronto plants are made from a cold rolled section which we roll on five tubular cold forming mills.

In addition to the traditional use of joists in shopping centres, schools, warehouses, hospitals, office and apartment buildings, increased demand is coming from their use in composite reinforced concrete/open web steel joist highrise construction. A prominent example was the 35 storey Alberta Government Telephone Building at Edmonton, completed last year.

Joists form the floor and roof support at the Vocational School, Grande Prairie, Alberta.

Joists awaiting shipment at our Toronto, Ontario plant.





STRUCTURAL AND MECHANICAL

Over the years, the Company has built up a staff of engineers and technical personnel with expertise in all phases of structural and mechanical operations.

The Company is capable of designing, engineering and drafting any type of steel structure or turnkey operation to customer specifications.

Some recent contracts:

Great Canadian Oil Sands Ltd., Fort McMurray, Alta.
Conveyor system structures, Main Services Building and installation of mechanical equipment.

Cominco Ltd. — Fording Coal, East Kootenays, B.C.
Process Design of Coal Preparation Plant.

Kaiser Resources Ltd., Natal, B.C.
Construction of steelwork for Coal Washery to their process design.

Dow Chemicals Ltd., Edmonton, Alta.
Supply and installation of main piping and supports.

University of British Columbia, Vancouver, B.C.
Triumph Building structural steel to house and support one of the world's most powerful cyclotrons for nuclear research.

Pacific Great Eastern Railway, British Columbia.
Several railroad bridges.

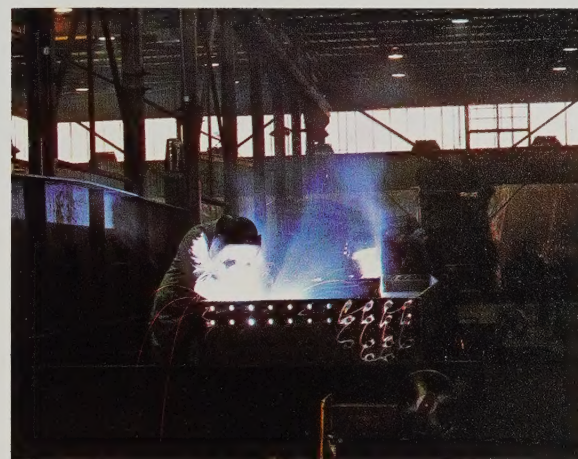
University of Winnipeg, Winnipeg, Man.
Complex engineering and construction of a multi-storey building over an existing 3 storey classroom block (without disrupting classes) in a very confined downtown area. The framework was designed and constructed of hollow structural sections grouted with concrete after installation in place.

We maintain one of the largest steel inventories in Canada enabling us to give prompt and efficient service at all times.

On our tubular cold forming mills we produce purlins, girts and V-Rib pan, all used in the construction industry.

The P.G.E. railroad bridge at Fort Nelson, fabricated and erected last year.

Our Edmonton plant engineered and fabricated the framework for this University of Winnipeg building.



Fabrication of a bridge component at our New Westminster, B.C. plant.



RESOURCE PROCESS DESIGN AND ENGINEERING DIVISION

HEAT EXCHANGERS

The Company is licensed by major U.S. Corporations who hold proprietary rights to manufacture and install heat exchangers.

Air Fin Heat Exchangers and Shell and Tube Heat Exchangers are an essential part of every oil refinery, pulp mill, chemical plant and natural gas processing plant.

The Air Fin Heat Exchangers are essentially large horizontal radiators which use air as a cooling medium. The cooling section consists of two pressure chambers of varying capacities interconnected by a large number of independent tubes each with extended aluminum fins. Large fans driven by electric motors are used to force the flow of air across the tubes to carry the heat away to the atmosphere. The complete units including the application of the aluminum fins using specialized equipment are manufactured in Calgary and each unit is hydrostatically tested to ensure freedom from leaks.

Shell and Tube Heat Exchangers are constructed of fire box quality steel and elliptical

heads, forged steel connections, seamless pipe and condensor quality tubing. The hot liquid and a coolant circulate through and around the tubes respectively. The transfer of heat is accomplished with the passage of heat energy through the tube walls of the exchanger which serve to isolate one fluid from the other.

Heat Exchangers are also used extensively to combat water temperature pollution. With the social and industrial awareness of pollution dangers and the resulting control legislation, it is expected that the demands for and the application of this equipment will broaden considerably.

COAL PREPARATION

Birtley Engineering Limited was created from the workshops of an important group of Collieries in 1820. It has served the producers and users of coal continuously since then and has kept abreast of modern developments. It can design, engineer and construct coal preparation plants to the most advanced techniques available both in regard to methods of separation and automatic monitoring and control systems which ensure operating costs are kept to a minimum while product quality is accurately balanced. Birtley is well acquainted with the preparing of coal for coking purposes or for thermal power plants and is participating in gasification studies.

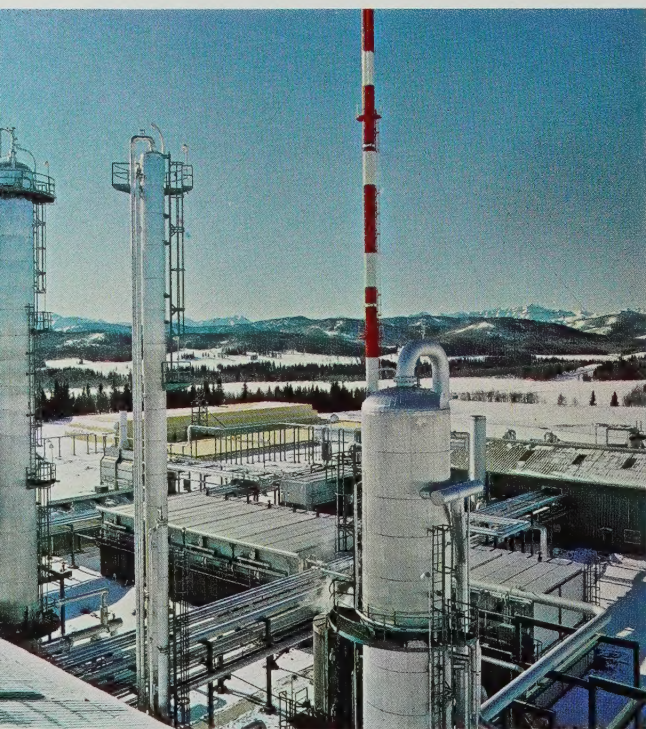
During the past 50 years, Birtley has built approximately 150 Coal Preparation Plants. While the majority of these were built in the United Kingdom, a significant number were built abroad, on Spitzbergen far above the Arctic Circle, in Australia and South Africa below the Equator, in Poland, Czechoslovakia and Russia and several in Canada, the most recent of which, Cominco's Fording Coal Plant in the East Kootenays, is presently in the final stages of commissioning.

MATERIALS HANDLING

Birtley's experience in designing the conveyor systems for coal preparation plants is utilized to design and supply materials handling systems in related industries.

A recent project was the Markham Room Heat complex which involved the refurbish-

Our heat exchangers installed at the Imperial Oil natural gas processing plant at Quirk Creek, Alberta.





GWS-Birtley built this Coal Preparation Plant for the Rufford Colliery, Midlands, U.K. to handle 800 tons of coal per hour. A similar Birtley designed plant in the East Kootenays of B.C. is now reaching commercial production.

Modern engineering offices of our Resource Process Design and Engineering Division at Calgary, Alberta.



ing of coke plants to include modernization and upgrading of raw materials and final products handling. It was a two stage refurbishing to ensure uninterrupted production of smokeless fuel.

Other projects include the refurbishing and reorganization of process plant and associated equipment to improve and accelerate the production of Fluorspar; a new conveyor system capable of handling 3,000 tons per hour for the Central Energy Generating Board Fiddlers Ferry Generating Station, including a large bucket wheel stockout and reclaimer machine; and several installations for the National Coal Board.

AUTOMATIC SAMPLING

Birtley Sampling Equipment is well known and widely used and covers the entire range of bulk granular sampling needs. Most of it is Birtley designed and much of it is patented.

The value and importance of automatic sampling systems for commercial purposes has long been recognized but only in recent years has product control by automatic sampling techniques assumed an important role in such industries as coal, metalliferous ores, chemicals and particulate materials. In 1953 Birtley applied a new philosophy to sampler design to produce efficient, accurate, economical, and practical units.



Birtley built bucket wheel stacker/reclaimer for Fiddlers Ferry Power Station.

Today almost 200 installations of automatic samplers conforming to international standards are installed around the world — sampling bulk materials of fractional size up to rivers of materials flowing at rates in excess of 6,000 tons per hour in Australia, Canada, Italy, India, Mexico, South Africa, South America, the United Kingdom and the United States.

MATERIALS SEPARATION EQUIPMENT

Birtley engineers, manufactures and supplies vibrating screens, vibrating conveyors, feeders and centrifuges and other equipment for the sorting and separation of all kinds of bulk materials.

Numerous installations, both light and heavy, are installed in various industries from the handling of potato chips to large scale processing of quarried limestone.

More than 150 of the Birtley-Humboldt vibrating screen centrifuges for the dewatering of fine coal are operating in the United Kingdom producing in total 20,000 tons per hour of centrifuged low final moisture product for the industrial market.

In the United Kingdom an increased demand for these centrifuges is expected as a result of the proposed National Coal Board modernization program.

AUTOMATIC BLENDING

Automatically controlled blending of both raw and washed small coal to achieve a product of consistent ash value within narrow limits has become very important.

Computer controlled systems have been designed and installed by Birtley in consultation with the Central Engineering and Research Establishment of the National Coal Board and Atomic Energy Research Establishment. The schemes automatically measure the ash of coal by using a Gamma-Ray method or the Cendrex Ash Meter.

PACKAGE HANDLING

Last fall Birtley completed a sophisticated new integral central parcel sorting system for the United Kingdom General Post Office at Leicester, with a machine sorting capacity of a quarter million parcels a day. With the help of closed circuit television and electronic codes the equipment is automatically controlled from a central control room. The installation performed well during the Christmas rush period.

COAL AND MINERAL TESTING

The Coal Science and Minerals Testing Division was set up late in 1970 at Calgary to test and wash coal and minerals primarily for Canadian clients on a scale which would be commercially meaningful. Our 50 tons per hour capacity test plant is one of the largest of its kind in the world, and consists of a dense medium cyclone and froth flotation section.

A modern analytical and assaying laboratory compliments the test wash plant. A team of experienced coal scientists and coal preparation engineers is ready to serve the coal industry. Under a co-operation agreement with F. C. Torkelson Co., a subsidiary of Pullman Incorporated, we are participating in other North American and Mexican projects.

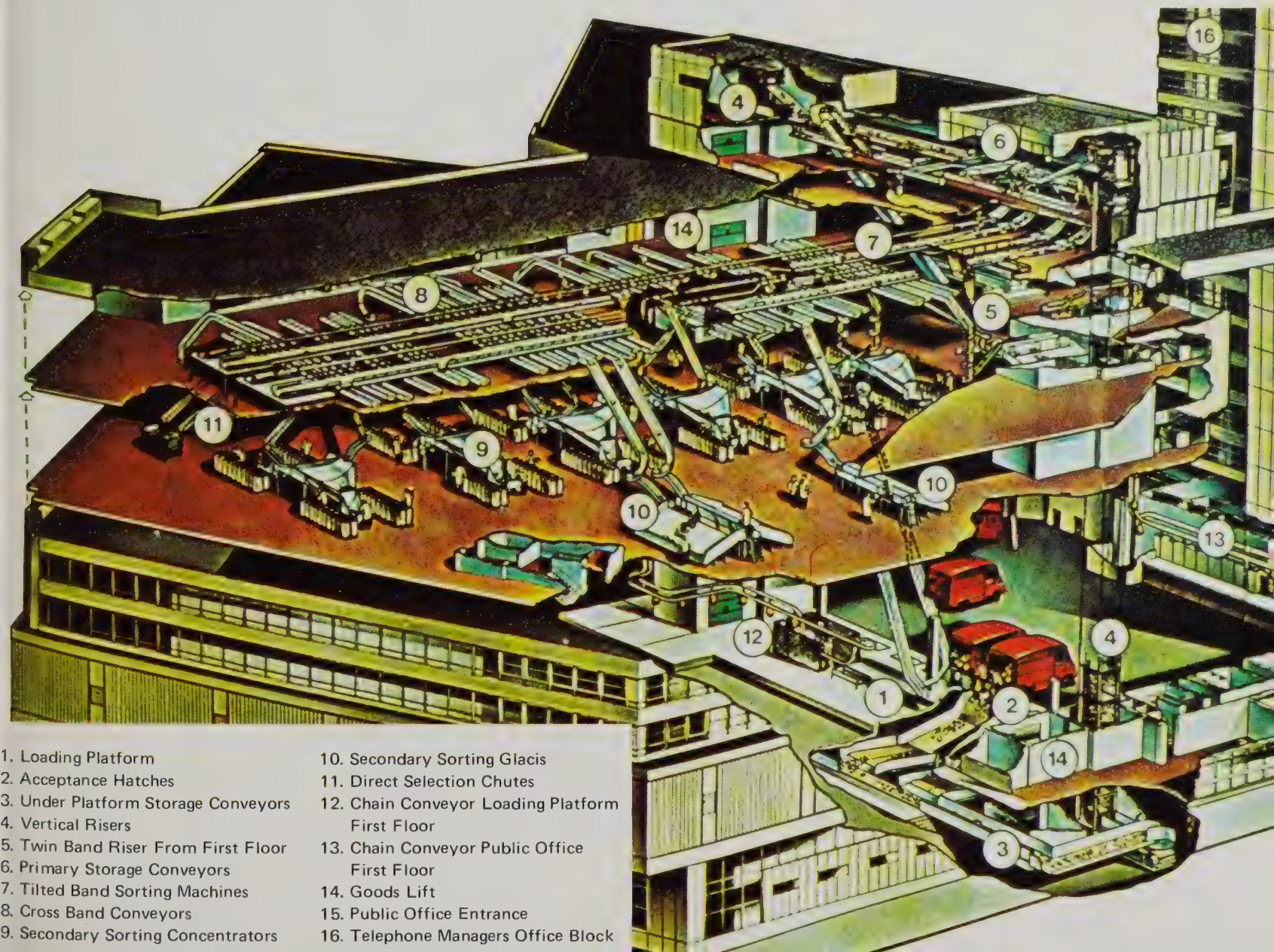


Main sorting conveyors (under construction) with remotely actuated side discharge gates at Leicester Central Parcel Sorting office.

Complex spiral chutes (under construction) will accept the parcels from the main sorting conveyors for secondary sorting on direct selection units.



Diagram of Central Parcel Sorting system Birtley designed and built for the General Post Office at Leicester, U.K.



CONSTRUCTION DIVISION

Our Construction Division operates in Alberta, British Columbia, Manitoba, Saskatchewan, Yukon and Northwest Territories. It primarily provides crane services and installation of our manufactured products including installation of all mechanical work and materials handling systems. It also carries out work for third parties in the mining, oil, gas and manufacturing industries.

Two major recent projects were:

The Chevron Standard Oil Kabob Gas Processing Plant, South Beaverhill Lake, Alta.

Installation and hydrostatic testing of equipment.

The Procter and Gamble Pulpmill at Grande Prairie, Alta.

Supply of crane service for the erection of framework and installation of mechanical work and tanks.

The division is also active in the maintenance of heavy industrial plants, two examples are:

Northwest Pulp and Power Ltd., Hinton, Alta.
Plant and equipment maintenance work.

The Steel Company of Canada Limited, Edmonton, Alta.
Plant maintenance at the Edmonton works.

With the acquisition of Atlas Construction Company Ltd. as of January 1st, 1971, this division has been significantly strengthened. Atlas, established in 1947 erects and installs structural steel, tanks and containers, equipment, pre-cast concrete panels and girders, glulam structural components and sheet bearing piles. We also provide a pile driving service and rent heavy construction equipment. We own modern maintenance facilities at Edmonton and Calgary and a fleet of over 40 mobile cranes, more than half of which are modern hydraulics. During 1971 we increased our fleet to include a new 90 ton self-propelled crane and three hydraulic cranes with capacities of 18 ton, 15 ton and 12½ ton. We have on order for early delivery in 1972 a 30 ton and a 45 ton hydraulic crane. The 90 ton crane when fully extended is tall enough to erect a 15 storey building or lift a cement bucket to the top of a 20 storey building. All employees are members of the Crane Operators and/or Ironworkers Union. Several of the key employees have more than 20 years of service with the Company.



CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

for the year ended December 31, 1971

EARNINGS

	1971	1970
SALES	\$22,608,218	\$15,742,392
EARNINGS FROM OPERATIONS BEFORE DEDUCTING THE FOLLOWING CHARGES..	\$ 2,285,896	\$ 1,486,581
Depreciation	297,486	97,717
Interest on long-term debt and amortization of debenture discount	290,389	148,686
Other interest	183,760	137,763
	771,635	384,166
EARNINGS BEFORE INCOME TAXES	1,514,261	1,102,415
INCOME TAXES		
Current	51,901	305,418
Deferred	671,211	231,180
	723,112	536,598
NET EARNINGS FOR THE YEAR (<i>note 10</i>)	\$ 791,149	\$ 565,817

RETAINED EARNINGS

	1971	1970
BALANCE — BEGINNING OF YEAR	\$ 1,237,632	\$ 671,815
Share issue expenses (<i>note 9</i>)	(21,567)	—
Excess of adjusted book value over consideration paid for acquisitions (<i>note 2</i>)	344,106	—
	1,560,171	671,815
Net earnings for the year	791,149	565,817
BALANCE — END OF YEAR	\$ 2,351,320	\$ 1,237,632

CONSOLIDATED BALANCE SHEET

as at December 31, 1971

ASSETS

CURRENT ASSETS

Accounts receivable (note 8)	\$ 7,901,181	\$ 4,011,820
Inventories (notes 4 and 8)	5,866,258	3,523,814
Prepaid expenses	77,008	46,250
	<u>13,844,447</u>	<u>7,581,884</u>
FIXED ASSETS (notes 5 and 8)	6,676,524	2,160,018

UNAMORTIZED DEBENTURE DISCOUNT AND EXPENSES (note 9)	118,191	—
	<u>\$20,639,162</u>	<u>\$ 9,741,902</u>

LIABILITIES

CURRENT LIABILITIES


Bank advances — secured (note 6)	\$ 1,242,266	\$ 2,287,305
Accounts payable and accrued liabilities	5,811,652	2,478,575
Income and other taxes payable	62,596	390,443
Current portion of long-term debt	776,333	307,346
Current liabilities exclusive of deferred income taxes	7,892,847	5,463,669
Deferred income taxes (note 7)	965,077	518,262
	<u>8,857,924</u>	<u>5,981,931</u>
LONG-TERM DEBT (note 8)	6,083,706	947,430

DEFERRED INCOME TAXES (note 7)	741,728	215,425
	<u>\$15,683,358</u>	<u>\$ 7,144,786</u>

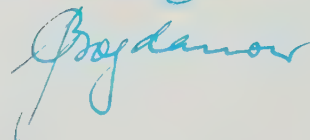
SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 9)	\$ 2,604,484	\$ 1,359,484
RETAINED EARNINGS	2,351,320	1,237,632
	<u>4,955,804</u>	<u>2,597,116</u>

SIGNED ON BEHALF OF THE BOARD



Director



Director

\$20,639,162	\$ 9,741,902
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CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

for the year ended December 31, 1971

SOURCE

	1971	1970
Current operations	\$ 1,297,938	\$ 873,747
Issue of common shares, net of expenses	1,223,433	946,160
Long-term debt, net of debenture discount and issue expenses	6,943,558	—
Long-term debt assumed on acquisition of subsidiary	87,127	—
Excess of adjusted book value of subsidiaries acquired over consideration paid (<i>note 2</i>)	344,106	—
	<u>9,896,162</u>	<u>1,819,907</u>

USE

Long-term debt retired	2,015,890	221,973
Fixed asset additions resulting from acquisitions— net of deferred income taxes	2,855,300	407,130
Capital expenditures on fixed assets	<u>1,638,402</u>	<u>198,150</u>
	6,509,592	827,253
INCREASE IN WORKING CAPITAL	3,386,570	992,654
WORKING CAPITAL — BEGINNING OF YEAR	<u>1,599,953</u>	<u>607,299</u>
WORKING CAPITAL — END OF YEAR	<u>\$ 4,986,523</u>	<u>\$ 1,599,953</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1971

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the company and its nine wholly-owned subsidiaries.

The accounts of the United Kingdom subsidiary have been translated into Canadian currency at the rate of exchange in effect at December 31, 1971, except that fixed assets have been translated at the rate in effect at the date of acquisition and earnings at the average rate during the period.

2. ACQUISITIONS

During the year, the company made three acquisitions, all of which have been accounted for as purchase transactions. The results of operations of each of the acquired businesses are included in the company's statement of earnings from the effective dates of the acquisitions as noted below:

- (a) On March 18, 1971, with effect from January 1, 1971, the company acquired all the outstanding shares of Atlas Construction Company Ltd. (Atlas) whose principal businesses are the rental of mobile cranes and the erection of steel and pre-cast structures.
- (b) On August 18, 1971, with effect from August 1, 1971, the company acquired all the outstanding shares of Birtley Engineering Limited (Birtley) a company resident in the United Kingdom whose principal businesses include consulting, designing and engineering of complete coal preparation plants and bulk materials handling systems for coal, steel and power plants.
- (c) On October 15, 1971, with effect from October 31, 1971, the company acquired certain of the net assets on a going concern basis of Anthes Steel Products Limited (Anthes) related to the manufacture and sale of open web steel joists.

These transactions are summarized below:

Acquisition	Net assets acquired at vendor's book value	Adjustment of net assets to fair value	Adjusted book value of net assets acquired	Consideration paid	Excess of adjusted book value over con- sideration paid
Atlas	\$ 533,788	\$ —	\$ 533,788	\$ 389,762	\$144,026
Birtley	767,786	136,777	631,009	430,929	200,080
Anthes	3,684,020	247,600	3,436,420	3,436,420	—
	<u>\$4,985,594</u>	<u>\$384,377</u>	<u>\$4,601,217</u>	<u>\$4,257,111</u>	<u>\$344,106</u>

The consideration paid was all cash except that \$115,000 of the amount paid for Atlas is due in instalments by March 15, 1974, and \$336,420 of the amount paid for Anthes is due on open account.

The excess of the adjusted book value of the net assets acquired over the consideration paid has been credited to retained earnings in the year.

3. ACCOUNTING BASIS FOR RECORDING INCOME

Profits on contracts are recorded on the basis of the company's estimates of the percentage of completion on individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. That portion of the total contract price is accrued, which is allocable, on the basis of the company's estimates of the percentage of completion, to contract expenditures incurred and work performed.

As contracts extend over one or more fiscal years, revisions in cost and profit estimates during the course of the work are reflected in the accounting period in which the facts which required the revisions become known.

At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

NOTES (continued)

4. INVENTORIES

	1971	1970
Raw materials and supplies	\$3,367,028	\$2,680,229
Work-in-progress	2,499,230	843,585
	<u>\$5,866,258</u>	<u>\$3,523,814</u>

Raw materials and supplies are stated at the lower of cost and net realizable value. Work in progress represents costs and estimated earnings in excess of billings.

	1971		1970	
	Cost	Accumulated depreciation	Net book value	Net book value
Buildings	\$2,270,331	\$ 187,903	\$2,082,428	\$ 825,698
Machinery and equipment	4,410,017	1,185,721	3,224,296	1,045,792
	6,680,348	1,373,624	5,306,724	1,871,490
Land	1,369,800	—	1,369,800	288,528
	<u>\$8,050,148</u>	<u>\$1,373,624</u>	<u>\$6,676,524</u>	<u>\$2,160,018</u>

6. SECURITY FOR BANK ADVANCES

Bank advances are secured under the same instruments as the term bank loans discussed in note 8 (a) following.

7. DEFERRED INCOME TAXES

Income taxes actually payable in respect of the year have been reduced because of differences between the time certain items of revenue and expense are recorded in the accounts and the time they are reported for income tax purposes.

Deferred income taxes show separately the amounts arising principally from:

	1971	1970
Holdbacks receivable and other current timing differences	\$ 965,077	\$518,262
Capital cost allowances claimed in excess of depreciation recorded in the accounts	741,728	215,425
	<u>\$1,706,805</u>	<u>\$733,687</u>

8. LONG-TERM DEBT

	Original principal	Outstanding	
		1971	1970
(a) Term bank loans with interest at 1½ - 2% above prime bank rates, secured by accounts receivable, inventories, certain machinery and by mortgage debentures on real property aggregating \$2,500,000, payable in equal monthly or annual instalments	\$5,565,039	\$5,360,039	\$ —
8½% Series A debentures (see (b) below)	1,500,000	1,500,000	—
Sundry long-term debt of subsidiaries with interest at 7½% to 11.4%, all refinanced during the year	—	—	1,254,776
	<u>\$7,065,039</u>	<u>6,860,039</u>	<u>1,254,776</u>
Less: Current portion		776,333	307,346
		<u>\$6,083,706</u>	<u>\$ 947,430</u>

NOTES (continued)

8. LONG TERM DEBT (continued)

Payments required in the next five years to meet long-term debt instalments are:

1972	\$ 776,333
1973	851,334
1974	816,333
1975	720,000
1976	490,000
	<u>\$3,654,000</u>

(b) Pursuant to a prospectus dated June 15, 1971, the company issued \$1,500,000 8½% Series A convertible sinking fund debentures, maturing June 15, 1991. The trust indenture provides, amongst other things, for the following:

- (1) At the company's option, redemption at any time after June 15, 1976.
- (2) At the company's option, redemption before June 15, 1976 if for 60 consecutive trading days, the shares of the company into which the debentures are convertible have traded at an average price of not less than 125% of the conversion price (\$6.94 per share).
- (3) At the holder's option, conversion of each \$500 principal of the debentures at any time up to June 15, 1981 into 90 common shares of the company giving a conversion price of \$5.55 per share.
- (4) Establishment of a sinking fund sufficient to retire in each of the years 1982 to 1990, \$100,000 principal amount of the debentures.

9. CAPITAL STOCK

	1971	1970
Authorized —		
2,500,000 common shares without nominal or par value, with a maximum selling price of \$6.25 per share		
Issued and fully paid —		
1,446,625 (1970 — 1,146,625)	<u>\$2,604,484</u>	<u>\$1,359,484</u>

During the year the authorized capital of the company was increased from 1,500,000 common shares without nominal or par value with a maximum selling price of \$6.25 per share.

Pursuant to a prospectus dated June 15, 1971, the company issued 300,000 common shares at a price of \$4.50 per share to net the company \$1,245,000. The total expenses of the debenture and common share issue were \$89,614 of which \$43,133 allocated to the common shares issued has been charged to retained earnings, less applicable income tax saving. The balance of the issue costs applicable to the debentures is being amortized along with the debenture discount of \$75,000, over the life of the debentures.

10. EARNINGS PER SHARE

The earnings per share figures are calculated using the weighted daily average number of shares outstanding during their respective years.

	1971	1970
Basic	<u>\$.60</u>	<u>\$.57</u>
	1971	
Fully diluted	<u>\$.52</u>	

NOTES (concluded)

In the fully diluted earnings per share calculation, the assumption is made that all of the 8½% Series A debentures were converted on the date of issue of the debentures, June 15, 1971, into an additional 270,000 common shares of the company. In calculating the fully diluted earnings per share, the consolidated net earnings for the year ended December 31, 1971 was increased by the amount of the interest on the debentures, net of applicable income taxes, and the number of shares was adjusted for the weighted daily average of additional shares that would have been outstanding on conversion.

Earnings per share based on the number of shares outstanding at December 31, 1971 were \$.55 (1970 — \$.39).

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers of the company amounted to \$242,235 for the year ended December 31, 1971 (1970 — \$193,648).

12. REORGANIZATION

With effect from January 1, 1972, five of the company's Alberta subsidiaries were amalgamated under the Alberta Companies Act.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF GREAT WEST STEEL INDUSTRIES LTD.

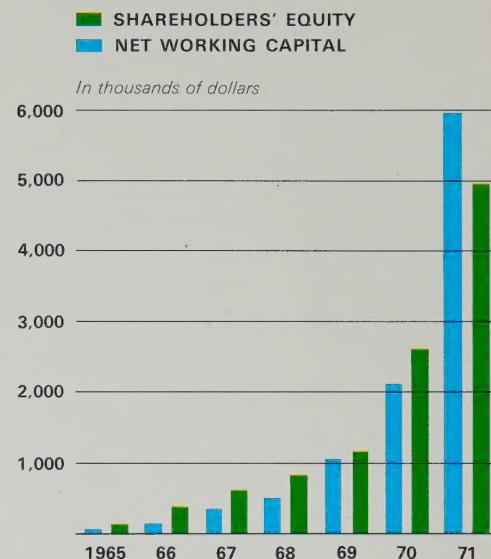
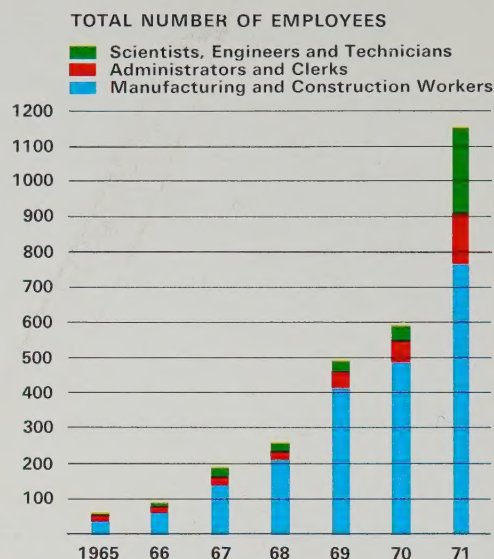
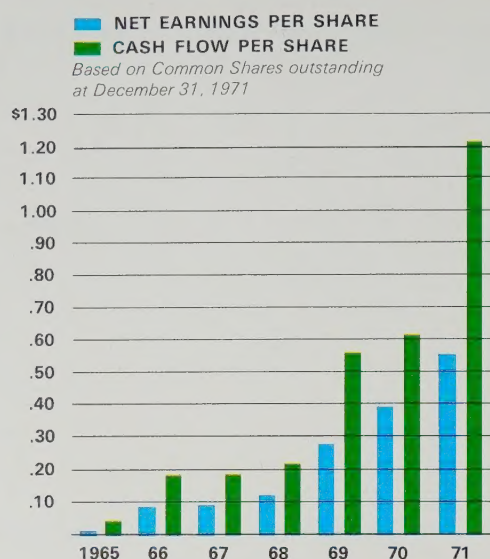
We have examined the consolidated balance sheet of Great West Steel Industries Ltd. and its subsidiaries as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
February 21, 1972

McDonald, Currie & Co.

CHARTERED ACCOUNTANTS



HISTORICAL REVIEW

*In thousands of dollars except as indicated **

	1971	1970	1969	1968	1967	1966	1965
FINANCIAL POSITION AT YEAR END							
Net Working Capital†	\$ 5,952	\$ 2,118	\$ 1,142	\$ 594	\$ 387	\$ 131	\$ 40
Net Fixed Assets	\$ 6,677	\$ 2,160	\$ 1,602	\$1,005	\$ 777	\$ 610	\$246
Other Assets	\$ 118	—	\$ 4	\$ 5	\$ 5	\$ 20	\$ 1
Funded Debt	\$ 6,084	\$ 947	\$ 1,065	\$ 604	\$ 394	\$ 315	\$205
Deferred Income Taxes	\$ 1,707	\$ 734	\$ 498	\$ 156	\$ 79	\$ 55	—
Shareholders' Equity	\$ 4,956	\$ 2,597	\$ 1,186	\$ 844	\$ 696	\$ 391	\$ 82
CAPITAL EXPENDITURES	\$ 4,494	\$ 605	\$ 739	\$ 381	\$ 301	\$ 588	\$269
EMPLOYMENT							
Scientists, Engineers and Technicians*	221	45	37	19	16	10	5
Administrators and Clerks*	142	66	58	32	29	14	9
Manufacturing and Construction Workers*	779	482	400	208	147	66	32
Total Number of Employees*	1,142	593	495	259	192	90	46
Total Payroll and Benefits	\$ 7,169	\$ 5,161	\$ 3,016	\$1,830	\$1,343	\$ 591	\$209
INCOME AND RELATED DATA							
Sales	\$22,608	\$15,742	\$11,721	\$6,184	\$4,237	\$2,659	\$739
Earnings from Operations before deducting the following	\$ 2,286	\$ 1,487	\$ 942	\$ 444	\$ 330	\$ 303	\$ 73
Depreciation	\$ 298	\$ 98	\$ 64	\$ 53	\$ 33	\$ 28	\$ 23
Interest on long-term debt	\$ 290	\$ 149	\$ 61	\$ 68	\$ 44	\$ 15	—
Other interest	\$ 184	\$ 138	\$ 64	\$ 41	\$ 22	\$ 13	\$ 5
Earnings before Income Taxes	\$ 1,514	\$ 1,102	\$ 753	\$ 282	\$ 231	\$ 247	\$.45
Current Income Taxes	\$ 52	\$ 305	\$ 9	\$ 21	\$ 9	\$ 9	\$ 7
Deferred Income Taxes	\$ 671	\$ 231	\$ 352	\$ 94	\$ 93	\$ 121	\$ 5
Net Earnings for the Year	\$ 791	\$ 566	\$ 392	\$ 167	\$ 129	\$ 117	\$ 33
Net Earnings as a % of Sales*	3.5%	3.6%	3.4%	2.7%	3.1%	4.3%	4.5%
Net Earnings per Share**	.55¢	.39¢	.27¢	.12¢	.09¢	.08¢	.02¢
Cash Flow per Share**†	\$ 1.22	.62¢	.56¢	.22¢	.18¢	.18¢	.04¢

†Including current portion of Deferred Income Taxes.

**Based on 1,446,625 Common Shares outstanding at December 31, 1971.

GREAT WEST STEEL INDUSTRIES LTD.

DIRECTORS

Kenneth G. Heffel, Vancouver
George B. Bogdanow, Vancouver
Bernhard L. Diefenbach, Edmonton
K. F. Gunter Diefenbach, Edmonton
Gerald Dobbs, Toronto
Michael L. Galper, Toronto
Ian L. Hamilton, Vancouver
D. Scott Kennedy, Vancouver
Michael P. Pick, Toronto

OFFICERS

Kenneth G. Heffel, *President*
George B. Bogdanow, *Vice-President — Finance*
J. William Fraser, *Vice-President — Controller*
Ian L. Hamilton, *Vice-President — Operations*
Bernhard L. Diefenbach, *Vice-President — Prairie Region*
D. Scott Kennedy, *Vice-President — Pacific Region*
Alan D. Turnbull, *Vice-President — Eastern Region*
K. F. Gunter Diefenbach, *Vice-President*
Gerald Dobbs, *Vice-President*
Harry A. Wyss, *Vice-President*
D. Barry Milton, *Treasurer*
William E. Allen, *Secretary*

TRANSFER AGENTS & REGISTRARS

For common shares:

The Canada Trust Company, Vancouver, Toronto, Edmonton

For debentures:

The Royal Trust Company, Vancouver, Toronto

AUDITORS McDonald, Currie & Co., *Chartered Accountants*

BANKERS The Toronto Dominion Bank

STOCK LISTINGS Toronto and Vancouver Stock Exchanges

EXECUTIVE OFFICE

425 — Two Bentall Centre, Vancouver 1, B.C.

REGISTERED OFFICE

7th Floor, 900 West Hastings Street, Vancouver 1, B.C.

SUBSIDIARIES

Great West Steel Industries (Alta.) Ltd., Edmonton and New Westminster
Great West Steel Industries (Southern) Ltd., Calgary
Atlas Construction Company Ltd., Edmonton and Calgary
Great West Steel Erectors Ltd., Edmonton
Calgary Structural Steel (1969) Ltd., Calgary

Note: The above five companies were amalgamated as at January 1st, 1972 under the name of Great West Steel Industries (Alta.) Ltd.

Great West Steel Industries (Sask.) Ltd., Saskatoon
Great West Steel Industries Inc., Seattle, Washington
Birtley Engineering Limited, Chesterfield, U.K.
Birtley Engineering (Canada) Ltd., Calgary

